

SPECIAL SECTION:

Salute to EXCELLENCE

Three key measures drive Winning Performance 2008

Page 2

Combustion turbine
fleet expands

Page 2



PRIDE IN THE TVA LEGACY

In the Systems Operations Center, Balancing Authority Manager Ed Forsythe (left) congratulates Terry Boston on his upcoming retirement and new career.

Terry Boston will apply a career's worth of experience in the Tennessee Valley to his new role as president and CEO of the company known as PJM Interconnection.

Based in Valley Forge, Pennsylvania, PJM operates the grid in 13 states and manages the largest electric market in the world, transmitting 165,000 megawatts of capacity and serving 51 million people.

Founded by a group of utilities as a centrally dispatched power pool in 1927,

the initials P.J.M. stand for Pennsylvania, Jersey and Maryland, for the original service area. In 1997, PJM became one of the first Regional Transmission Organizations in the U.S. and included eight additional power companies in its operations. It now serves parts of 13 states and the District of Columbia.

Boston graduated from Tennessee Tech in 1972. He took two weeks off before he started as a power supply engineer in TVA's power control center in

Chattanooga.

In 1980 he was named head of the Power Supply Group. Over the next 16 years, Boston directed several TVA divisions in succession: Transmission, Regional Operations, and Electric System Reliability. For the past nine years he has been executive vice president of Power Service Operations.

Boston learned what TVA meant to

See "Pride in the TVA legacy" on page 3

Fossil Power Group has record-setting year

TVA's Fossil Power Group had a banner year in fiscal year 2007, setting new records for generation and simultaneous operation of the 59-unit coal-fired fleet. In addition, those units generated a total of 100.19 gigawatt-hours, eclipsing the previous record set in 2001.

"It was a good year for FPG," says Preston Swafford, FPG executive vice president. "The commitment and dedication of our employees really showed through in the simultaneous run of all 59 units that came at a time when the system was setting new demand records on successive days."

All of the coal-fired units operated simultaneously for over two weeks, more than doubling the record set in July 2005. This occurred in August, when new records were being set for load demand. In addition, Johnsonville and Kingston fossil plants set records for running all their units concurrently.

Several units completed unit continuous-run records, two plants had their lowest-ever equivalent forced outage rate

(EFOR), and the entire system had its second-lowest EFOR in history, an important indicator of the improvement in the fleet. (Lower EFORs indicate higher power-source reliability and additional financial savings for TVA.)

Nine units completed record runs, highlighted by the national record set by Shawnee Unit 6, which operated nonstop for just over 1,093 days. Two other Shawnee units set continuous-run records of more than 400 days, and Widows Creek Unit 8 had its first ever 100-day run. In addition, units at Colbert and Johnsonville continued record runs into fiscal year 2008.

"The performance of this fleet reflects clear progress toward our goal of top-quartile performance," says Swafford. "We've built a lot of momentum, and now we must capitalize on our efforts toward success."

"Everyone must focus on safe work practices, taking them to

See "Fossil Power Group" on page 2

what's new in employee news



TVA turns 75

TVA will celebrate its 75th year on May 18, 2008, the anniversary of the day President Franklin D. Roosevelt signed the TVA Act into law.

A variety of activities will take place to commemorate the anniversary. The TVA Board will meet in Muscle Shoals in May to mark the historic occasion. TVA sites also will hold celebrations in May. Watch for more information about these events.

Significant moments from TVA's past will be featured on a new web site, where viewers will be able to download information and photos. Anniversary merchandise also will be available to employees and retirees.

Another highlight will be anniversary scholarships awarded to students from across the Valley. More information about these awards will be available on InsideNet.

Inside TVA

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TVA is an equal-opportunity and affirmative-action employer.

TVA also ensures that the benefits of programs receiving TVA financial assistance are available to all eligible persons, regardless of race, color, sex, national origin, religion, disability or age.

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Winning Performance for 2008 focused on three key measures

Goals for 2008

TVA's performance targets for 2008 are based on the metrics in the TVA 2007 Strategic Plan, with an emphasis on personal responsibility and accountability by every employee.

"To support that emphasis," says President & Chief Executive Officer Tom Kilgore, "we are streamlining the number of TVA-wide measures on which Winning Performance incentives are based."

TVA will use these three key measures, which focus on factors that employees can directly influence.

- **Connection Point Interruptions**, driven by the performance of all employees on the transmission side of the business, as well as employees on the generation side and in the service organizations that support them.
- **Equivalent Availability Factor**, driven by the performance of all employees on the generating side of the business and in the service organizations.
- **Non-Fuel Operations & Maintenance Costs**, driven by all employees performing their duties efficiently and in ways that improve productivity.

Stated more simply, Kilgore says, these measures ask:

- Are we generating our product?
- Are we delivering our product?
- Are we doing those two things more efficiently and for less cost?

Safety is still paramount

Safety – the very foundation of TVA's day-to-day work – continues to be a Scorecard measure. In keeping with the industry-wide approach identified in benchmarking, however, TVA will not use safety in calculating TVA-wide incentives. Safety will continue to be used in determining awards at the business-unit level.

"We will also continue to improve our safety performance," Kilgore says. "I appreciate the commitment of our employees and union partners to that goal."

Fossil Power Group

continued from page 1

heart, and start every task determined to do it safely. In addition to plant-performance records in 2008, I want to be able to congratulate the team on the safest year on record for FPG, and it will take all of us to achieve that." — **JESSICA STONE**

Record runs for fossil units in 2007

- Shawnee Unit 6 – 1,093.5 days (national record)
- Kingston Unit 3 – 520.6 days
- Shawnee Unit 7 – 434.1 days
- John Sevier Unit 4 – 430.5 days
- Shawnee Unit 3 – 427.0 days
- Kingston Unit 9 – 281.9 days
- Johnsonville Unit 5 – 212.2 days
- Kingston Unit 6 – 156.7 days
- Widows Creek Unit 8 – 119.6 days
- Johnsonville Unit 9 and Colbert Unit 1 have ongoing record runs

Winning Performance

TVA Balanced Scorecard for December 2007

	Weight	Status	Actual YTD	Plan YTD	Year-End Forecast	Threshold	GOALS Target	Stretch
Customer								
• Delivered Cost of Power Excluding FCA Costs (\$/MWh sales)		■	36.45	35.35	34.61	33.91	33.64	33.37
• Fuel Cost Adjustment Costs (\$/MWh sales)		■	20.65	18.08	20.81	19.48	19.10	18.71
• Economic Development (actual/plan)		●	210	100	100	100	115	120
• Participation in Energy Efficiency & Peak Shaving Initiatives (percent)		◆	96	97	96	96	97	99
• Customer Satisfaction Survey (percent satisfied)		●	86	86	84	82	86	89
• Connection Point Interruptions (interruptions/connection point)	30%	●	0.10	0.13	0.90	0.90	0.85	0.80
People								
• Cultural Health Index						64.3	66.3	68.3
• Safe Workplace (injuries/hours worked)		●	0.93	1.50	1.50	1.50	1.34	1.17
Financial								
• Debt-like Obligations/Asset Value (percent)		●	73.6	73.9	72.3	72.3	72.2	72.1
• Earnings/Asset Value (percent)		●	2.4	2.4	10.4	10.4	10.5	10.6
• Non-Fuel O&M (\$/MWh sales)	40%	■	14.76	14.31	13.51	13.45	13.20	12.95
Assets/Operations								
• Key Environmental Metrics (index)		◆	113	114	100	100	120	140
• Megawatt Demand Reduction (MW/reduced)		◆	6.3	7.2	63.9	63.9	65.2	66.5
• Equivalent Availability Factor (percent)	30%	◆	83.1	85.9	89.0	89.0	89.5	90.0

Notes:

Participation in Energy Efficiency and Peak Shaving Initiatives, Customer Survey, Cultural Health index, and Key Environmental Metrics is not reported monthly.

Status:

- = YTD at or better than plan; forecast at or better than threshold
- ▲ = YTD at or better than plan; forecast worse than threshold
- ◆ = YTD worse than plan; forecast at or better than threshold
- = YTD worse than plan; forecast worse than threshold

This scorecard has been posted on the Winning Performance section of TVA's internal Web site.

Business unit scorecards

The scorecards for various organizations will continue to have specific measures for the work those groups do. "There's a saying that you get what you measure," Kilgore says, "and I think it's true. When we set measurable goals for ourselves, we tend to improve in the areas we're measuring."

As of the end of December, six of the performance measures are at or better than plan year-to-date (YTD), with a year-end forecast at or better than threshold; four measures are worse than plan YTD, but with a year-end forecast at or better than threshold; and three measures are worse than plan YTD, with a year-end forecast worse than threshold. More information is available on InsideNet.



Combustion Turbine fleet expands

The Combustion Turbine and Distributed Resources (CT&DR) organization bought and commissioned two new generating facilities, Marshall and Gleason, adding 1,200 megawatts of capacity to TVA's combustion-turbine portfolio in 2007.

These units were taken from an extended lay-up condition to full availability in less than four months in preparation for the summer demand. Collectively, the combustion-turbine fleet generated 624,000 megawatt-hours, more than twice the generation-plan estimate, with a running reliability of 98.5 percent. During the peak month of August, the turbines were put into use a total of 731 times, and Gleason, Marshall and Lagoon Creek set monthly generation records.

In July, CT&DR executed a 15-year lease for the Caledonia Combined Cycle facility, the first combined-cycle facility for TVA, adding 813 megawatts of capacity. In August, Caledonia generated more than 400,000 megawatt-hours, with reliability greater than 99 percent.

Pride in the TVA legacy

continued from page 1

the Valley from his grandfather, A.C. Boston, who had a large farm near Gordonsville, Tennessee. TVA brought power to A.C. Boston's farm in September 1939, when A.C. signed up as the 111th member of the Upper Cumberland Electric Membership Corporation. Terry grew up on his parents' farm just two miles away and used to ride a bicycle between the two farms to help with chores.

"Tears started forming in my grandfather's eyes when I told him that I was going to work for TVA," says Boston, "because of the difference reliable, low-cost electricity made in their life on the farm."

Now, 36 years after starting at TVA, Boston is changing employers for the first time.

"It's a tough choice to make," says Boston, "but this is a challenge that I hope will keep me young."

As he prepares to move on to PJM, Boston offered a few parting reflections:

Q: What are you proudest of?

First, the 6.3 million safe work-hours that PSO reached in 2003 performing six of the nine highest-risk occupations in any industry.

Second, the 99.999 percent reliability over eight years. We were able to carry both safety and reliability to top-decile performance.

Third, in 36 years we never had a widespread cascading transmission outage and never cut firm load because of a shortage of power supply – we planned carefully to have enough power, we delivered it when it was needed and we never had to go into rotational outages.

Q: Anything you would have done differently?

The night of the Blizzard of the Century – March 12 1993 – I would have put chainsaws in every four-

wheel drive vehicle. We sent our crews home in four-wheel drives so they'd be able to get to work after the snow, but the roads out of their neighborhoods were blocked by fallen trees.

I also would not have gotten on TV and said I wasn't worried about the snow because we had a fleet of four-wheel and six-wheel drive vehicles. I said I was worried more about the forecasted 50- to 60-mile-per-hour winds than I was about the snow. As I reflect, I should have been worried about the three feet of snow.

Q: What have you learned about dealing with people?

The biggest thing is what my grandfather taught me, that the Golden Rule works. If you treat people with dignity and respect, they return the favor. That applies to TVA people and anybody anywhere in the world.

Q: Your organization has high CHI (Cultural Health Index) numbers. Why?

PSO's CHI is high, especially in the T&L work force; there are a couple of reasons.

First, it's our razor-sharp focus on just three things: safe, reliable, low-cost.

Second, we have a dedicated work force that has never had an entitlement attitude. They understand the importance our customers place on customer service and reliability and the need to be efficient and competitive.

Third, we have a strong pride in the TVA legacy and in the work that we perform in keeping the lights on. That pride is embedded in the hearts and minds of the work force.

Q: How do you get and keep safety on people's minds?

Being best in the U.S. in safety is not easy. In my last nine years, every PSO staff meeting has started with

safety as the first item on the agenda. Everyone understands the high risk of what we do. If you want to avoid all risk, you'd never climb a pole or drive an automobile, because the risk is there. Safety is not just a priority. Priorities can be re-arranged. Safety is an integral part of everything that we do. We have a tail-gate safety meeting on every job we do. We discuss where the energy is stored, where the risks are and how to abate the risks.

Actually, 500-kV hotline work is one of the safest things we do. The adrenaline level is very high because of the risk involved, but the procedures are very consistent and the linemen are well trained and very focused on what they're doing.

Q: What are TVA's strengths and what can we build on?

- A knowledgeable work force focused on service. They're committed to serve the public, to serve the Valley, to raise the standard of living of the people we serve.
- A diverse generation portfolio.
- One of the strongest, most reliable transmission systems in the world
- Strong partnerships with our customers. The distributors and directly served customers really want TVA to be successful. Last year for the first time we reached 100-percent customer satisfaction in reliability and resolving transmission issues.
- The intellectual capital and innovation of a world-class work force, continuing that razor-sharp focus on safe, reliable, low-cost power. The economic development effort to grow jobs is a great testament to that and a commitment to improve the environment.

— BROOKS CLARK

ACROSS TVA

Gallatin employees assist homeless veterans

Gallatin Fossil Plant employees received a letter of thanks from retired U.S. Army Lt. Col. William Burleigh for their assistance with the 15th annual Operation Stand Down Oct. 12-14 in Nashville. This year's three-day event provided a broad spectrum of services to 324 homeless veterans, including four women. The veterans received clothing, food, haircuts, health services, flu shots, counseling, employment assistance and a chance to rest and relax in a secure environment. Contributions from Gallatin employees included more than 1,200 packages of underwear and socks.



From left: Bill Burleigh, executive director of Operation Stand Down and Vietnam War veteran (Army); Kriste Lanus, management assistant at Gallatin Fossil Plant; and Randy Ammons, board member and one of the original founders of Operation Stand Down, and Vietnam War veteran (Air Force).

Giving is always in season

Efforts to help those in need tend to peak around the Thanksgiving and Christmas holidays. But for employees in TVA's Commercial Operations & Fuels, the giving continues year-round. Each month the organization's Employee Council spotlights a community organization to increase awareness of that group's needs and encourage participation.

In October, for example, employees collected coats, hats and scarves and delivered them to Patten Towers, a residence for the elderly and disabled. In January they'll devote their efforts to the Ronald McDonald House, and in April they'll work alongside other TVA volunteers on a Habitat for Humanity house.

Their 2007 year-end efforts included assistance to the Chattanooga Community Kitchen in the form of food items, volunteer time and monetary donations. In December, they donated items for the Angel Tree collection of toys and clothing items for needy children. For these generous TVA employees, every season is filled with days of caring.

Donations collected for tornado victims at Widows Creek

Widows Creek Fossil Plant's Helping Hands Committee sponsored a Dollar Day to help area residents, including some from the plant itself, who were affected by a tornado that struck Nov. 14 in the community of Kimball, Tenn. Committee members collected money at the plant's entrance gates, raising nearly \$1,000.

COC employees give blood

A total of 52 TVA employees donated blood in a Nov. 30 blood drive at the Chattanooga Office Complex. In addition, 19 people registered as potential bone-marrow donors. The bone-marrow testing was done in part to identify possible donors for Dee Simpson, a Chattanooga TVA employee who has battled multiple myeloma (a type of cancer) for the past nine years.

TVA businesses announce reorganizations

Four TVA business organizations have announced major reorganizations and new appointments.

Central Support and Repair

A high-level organizational restructuring in Central Support & Repair (CSR) will focus on performance improvements, according to Bob Tanis, CSR vice president.

Joan Dodd has been named general manager of Field Operations. **Raul Alfonso** is now general manager of Shop Operations with responsibility for operations at Muscle Shoals, Watts Bar, Hartsville and Knoxville.

Fred Watson has been named general manager of Services Management & Performance. **John Bowe**, general manager of Services Planning & Logistics, will direct all work planning, estimating, scheduling and project management.

Bob Hanselman will continue his current rotational assignment as manager of Central Laboratories Services.

Financial Services Group

Chief Financial Officer Kim Greene has announced organizational changes in

the Financial Services Group (FSG) that will strengthen TVA's focus on financial planning and analysis and implementation of the strategic plan.

The Controller organization and the Operations Business Services staff have merged. **John Thomas** is vice president and controller, succeeding **Randy Trusley**, who has retired.

The risk management and economic analysis functions are being separated to increase the focus on financial planning and analysis. **Andrew Kosnanski**, newly named vice president, will lead the Financial Planning & Analysis staff. He joins TVA from the Southern Company. His group will focus on long-term planning related to strategic plan objectives. TVA Vice President **Chris Mitchell** will serve as chief risk officer and vice president, Risk Management.

Theresa Flaim, senior vice president for Pricing & Contracts, has retired. The department, now called Strategy, Pricing & Contracts, will facilitate the implementation of the strategic plan and provide regulatory policy support to the TVA Board. The group is led

by **John Trawick**, newly named vice president, who comes to TVA from Southern Power Company.

John Hoskins continues as senior vice president and treasurer. Senior advisor to the chief financial officer is **Tammy Wilson**, a senior manager in Treasury.

Power System Operations

Tim Ponseti has been selected as vice president of the new System Planning organization in Power System Operations (PSO). Ponseti had been serving as acting vice president of PSO's Transmission & Reliability group since April 2007. In addition, **Bob Dalrymple**, previously manager of Transmission System Services, has been named vice president of Transmission & Reliability. Both positions report to the executive vice president of Power System Operations.

The System Planning group to be led by Ponseti will bring together the Transmission Planning Department and the Resource Planning & System Forecasting group to further strengthen TVA's transmission-planning program for future system expansion. Also, **Marci Cooper**, acting vice president of

Resource Planning & System Forecasting, has retired after 26 years with TVA.

Commercial Operations & Fuels

Van Wardlaw, senior vice president of Commercial Operations & Fuels (CO&F), has announced a number of organizational changes in support of CO&F's ongoing commitment to employee and leadership development.

Belinda Thornton is now serving as general manager of Origination, and **Clyde Harmon** is the chief negotiation consultant for all groups within CO&F.

Dianne Hensley is the new general manager of Energy Trading. **Mike Hendon** has assumed the position of senior manager of Portfolio Analysis & Support (PAS). Wardlaw says the Financial Trading position previously held by Hendon will be filled in the near future. In the interim, this function will move with Hendon to PAS.

Chris Hansen will serve as senior manager of Leadership Rotational. Hansen will remain a part of the PAS team, but he will assume a matrix reporting relationship to the CO&F senior vice president.

people, plaudits and promotions

Valerie Crockett, senior energy market and policy specialist in Commercial Operations & Fuels, has been elected to the North American Energy Standards Board (NAESB) as vice chair for the Wholesale Gas Quadrant. Crockett will serve three years as vice chair and then rotate to chair of the NAESB the fourth year. NAESB is a non-profit organization created in 2002 to set voluntary standards and model business practices that promote more competitive and efficient natural-gas and electric service.



Valerie Crockett

Leslie Nale, formerly assistant plant manager at Kingston Fossil Plant, is now plant manager at John Sevier Fossil Plant. Nale has been a TVA employee for more than 20 years and has previously served as operations manager at Kingston.



Leslie Nale

Donna M. Curry, recruiting program manager in Staffing & Recruiting, received the Human Resources Professional Excellence Award from the Society of Human Resource Management Tennessee State Council during its annual conference in Chattanooga. The honor recognized Curry's service to the chapter, the human-resources profession and the community. She was lauded for increasing membership in the Chattanooga chapter by 25 percent in the past three years.



Donna M. Curry

Johnsonville Fossil Plant employees welcomed home colleague **Richard Bratton**, who returned to work in mid-November after serving for 18 months in Iraq. The plant accepted with pride an American flag that was flown above Base Camp Taji in Iraq in honor of the plant.



Richard Bratton

Mike Ingram, a senior manager in TVA's Office of Environment & Research, has been named an Institute of Electrical & Electronics Engineers (IEEE) Fellow in recognition of his contributions to the field of high-temperature superconductor synchronous condensers. The honor is conferred by the IEEE Board of Directors to recognize unusual distinction in the field. A professional association for the advancement of technology, IEEE has more than 370,000 members worldwide.



Mike Ingram

William Pierce, manager of Nuclear Materials Technology & Codes in Chattanooga, was recently elected to serve on the University of Alabama's Capstone Engineering Society (CES) Board of Directors, which consists of UA College of Engineering alumni. The CES is dedicated to maintaining relationships and resources with UA engineering and computer-science alumni to ensure a superior educational experience. Pierce will serve on the board's Corporate Liaison Subcommittee, which promotes partnerships in research, endowments and student recruitment.



William Pierce

Research and Technology Applications' **Dennis Yankee** has been honored with the EPA Office of Research & Development's Bronze Medal for outstanding achievement. The award recognizes Yankee's creation of a Web-based decision-making tool that illustrates the implications of land-use choices under alternative development scenarios. The tool was used by stakeholders in the 15-county Charlotte, N.C., region to develop alternative scenarios of future regional growth up to 2030. It can help decision-makers evaluate trade-offs on a local versus a regional scale and among various ecosystem services.



Dennis Yankee

Tim Babb, a level III hydro technician at Raccoon Mountain Pumped-Storage Plant, **Paul Green**, a level III hydro technician in the Hiwassee plant group, and **Jerry Hudson**, a level IV hydro technician in the Pickwick/Kentucky plant group, have been recognized in Hydro Production's quarterly awards program. The awards honor nonmanagement employees for achieving exceptional performance and demonstrating sustained commitment to the STAR 7 values.



Tim Babb



Paul Green



Jerry Hudson

Babb was chosen for his positive attitude, commitment to safety and leadership skills, as well as for his excellent performance as a temporary foreman during the Unit 2 re-runner outage at Raccoon Mountain.

Green was recognized for his positive attitude, commitment to safety and willingness to accept new challenges. He was cited specifically for his outstanding leadership and performance during a recent maintenance outage at Apalachia Hydro Plant.

Hudson was selected for his contributions to Pickwick's safety program, for his accomplishments as outage coordinator and for taking personal responsibility for doing every job right. He was also acknowledged for his willingness to help others and commitment to personal growth.

Jan Brown of the Office of the Inspector General is among 40 young professionals named by the 40 Under 40 Committee in East Tennessee as upcoming leaders in business and the community. Brown has been with the OIG since 2004, serving as a senior intelligence analyst. She was previously with TVA's Risk Management department.



Jan Brown